

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 20570
[Redacted],)	
)	DECISION
Petitioners.)	
_____)	

On July 16, 2007, the staff of the Tax Discovery Bureau of the Idaho State Tax Commission issued a Notice of Deficiency Determination to [Redacted] (taxpayers) proposing income tax, penalty, and interest for the taxable years 2003 through 2005 in the total amount of \$23,597.

On September 4, 2007, the taxpayers filed a timely appeal and petition for redetermination. The taxpayers did not request a hearing but rather provided a copy of their 2005 income tax return for consideration. The Tax Commission, having reviewed the file, hereby issues its decision.

The Tax Discovery Bureau (Bureau) received information that showed the taxpayers might have had a filing requirement with the state of Idaho for the tax years 2003 through 2005. The Bureau sent the taxpayers a letter asking them about their requirement to file Idaho income tax returns. The taxpayers did not respond. [Redacted] The Bureau prepared Idaho income tax returns for the taxpayers and sent them a Notice of Deficiency Determination.

The taxpayers agreed with the Bureau's determination for tax years 2003 and 2004; however, they disagreed and protested the Bureau's determination for tax year 2005. The taxpayers stated they did not believe the figures the Bureau used for 2005 were correct. They stated their tax consultant was reviewing their information and would have a correct return within 30 days.

The Bureau acknowledged the taxpayers' acceptance and payment of the 2003 and 2004 returns. The Bureau also acknowledged the taxpayers' protest of the 2005 determination. The Bureau allowed the taxpayers additional time but never received their 2005 return. Therefore, the Bureau referred the matter for administrative review.

The Tax Commission reviewed the matter and sent the taxpayers a letter giving them the option of two methods for redetermining a protested Notice of Deficiency Determination. The taxpayers provided an unsigned copy of their Idaho and federal income tax returns for 2005. The Tax Commission sent a copy of the unsigned Idaho return back to the taxpayers and asked them to sign and return it to the Tax Commission. The taxpayers did not sign and return the Idaho return. Therefore, the Tax Commission decided the matter based upon the information available.

[Redacted] The taxpayers did not contest their Idaho tax as determined for 2003 and 2004. However, they did contest the Bureau's determination of their 2005 Idaho tax.

In reviewing the two 2005 returns, the Tax Commission found that the Bureau included the sale of property but did not account for any basis. The 2005 return the taxpayers provided included all the information the Bureau considered plus a lot more. The taxpayers' return included itemized deductions, a section 121 exclusion, a farm loss, and a capital gain. The Tax Commission found the return the taxpayers provided to be a more accurate and complete income tax return. However, because the taxpayers did not sign the return, the Tax Commission cannot accept it as a valid income tax filing. (See IDAPA 35.02.01.150.05.) Nevertheless, the taxpayers' 2005 return did provide the Tax Commission with additional information that is pertinent in the determination of the taxpayers' 2005 Idaho tax. Therefore, the Tax Commission modified the 2005 return prepared by the Bureau to incorporate the additional information provided by the taxpayers.

WHEREFORE, the Notice of Deficiency Determination dated July 16, 2007, is hereby MODIFIED, in accordance with the provisions of this decision and, as so modified, is APPROVED, AFFIRMED, and MADE FINAL.

IT IS ORDERED and THIS DOES ORDER that the taxpayer pay the following tax, penalty, and interest:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2003	\$ 3,187	\$ 797	\$ 679	\$ 4,663
2004	3,261	815	500	4,576
2005	2,943	736	408	<u>4,087</u>
			TOTAL	\$13,326
			REMITTANCE	<u>(9,239)</u>
			BALANCE DUE	\$ <u>4,087</u>

Interest computed to May 15, 2008.

DEMAND for immediate payment of the foregoing amount is hereby made and given.

An explanation of the taxpayers' right to appeal this decision is enclosed with this decision.

DATED this _____ day of _____, 2008.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____, 2008, a copy of the within and foregoing DECISION was served by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[REDACTED]

Receipt No.
